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CANADA LINE ANNUAL REPORT 2006 CANADA LINE RAPID TRANSIT INC.

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AUG 03 2007



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Cover photo: Guideway construction, Bridgeport, Richmond, August 18, 2006

Inside Front Cover photo: Middle Arm Bridge crossing the Arthur Laing Bridge, November 2, 2006



## Message from the Chair and CEO

The Project safety record is very good; safety remains a primary focus.

The Project is on time and remains on budget.

2006 would best be described as a year of 'bricks and mortar' for Canada Line Rapid Transit Inc. (CLCO) – a year where we witnessed the full marshalling of people and material to build the Canada Line. Work moved forward on many fronts along our 19-kilometre construction corridor. While it was largely unseen, our giant tunnel boring machine – “Sweet Leilani” – made its way under False Creek and into downtown Vancouver. The cut and cover tunneling along Cambie Street progressed in five different sections, with crews working towards each other anticipating a link up before the end of 2007. Work on our two bridges over the Fraser River made great strides. One bridge over the Middle Arm straddled the Arthur Laing Bridge, pointing on one end to our guideway to the International Airport – YVR – and on the other end, pointing to Bridgeport in north Richmond. The other, over the North Arm, saw columns rise from Mitchell Island and in the Fraser itself. In between these bridges, the elevated guideway took form as massive launching girders lifted concrete segments into place. Like beads on a string, cables through these segments pulled them together to form a continuing span moving west towards YVR and south to Richmond. As the pictures in this Report show, the Canada Line is beginning to take shape.

Our contractor, InTransitBC (ITBC) and their subcontractor, SNC-Lavalin Inc., are responsible for the construction of the Line. As we expected, ITBC has assumed this responsibility with skill and enthusiasm – taking a more public role in the construction activities. This inevitable transformation from negotiating a Concession Agreement in 2005 to overseeing construction in 2006 has modified, but not changed CLCO's role of representing the public interest in this unique public-private partnership.





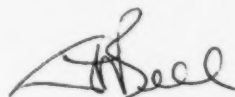
We have tested our mandate, our vision and our values in this evolving environment. We found them to be as valid today as at the beginning of the Project. CLCO continues to oversee the design, construction and eventual implementation of the Line. Our Board of Directors continues to provide oversight to management and to ensure the Project meets its commitments to its funding agencies, stakeholders and the public. And we continue to follow best practices in corporate governance, engineering, design, and ensuring residents, commuters, businesses and the public are informed and supported through this construction period. Specific goals will change as construction moves forward toward opening day but our aim of delivering a very high quality, sustainable transportation system to Vancouver, YVR and Richmond remains.

Our team has put into place all the necessary elements to help ITBC help us reach our goals. CLCO closely monitors construction activity. In particular, we watch for safety, progress against schedule, quality of design and construction, and construction impacts on both the environment and the businesses along the Line.

In addition to monitoring the safety, schedule and quality, much of our effort this year has been focused on the public; both in their involvement in the design of the stations, and the impact of construction. CLCO provides direct support for an innovative business program that includes funding independent business liaison committees in Richmond and Vancouver, made up of representatives from businesses along the Line, a full-time Independent Project Director to assist them and


retail marketing support. We know that these initiatives will not erase the inconvenience of construction in a big, developed city, but we hope it has helped. We extend our thanks in particular to the business improvement associations in the corridor and to the business representatives. They are helping us understand what they need and working with us to address the inevitable construction impacts.

2006 made good progress towards accomplishing our objectives. The Project's safety record is very good; safety remains a primary focus. The Project is on budget, and expected to open on time in November 2009. Our thanks to the members of our Board of Directors and to CLCO staff for their efforts throughout the year. And our thanks to our funding partners for their ongoing support. Finally, our thanks to our Project partner, ITBC, for their efforts and shared belief in a good Project and a quality transit line for our fellow citizens.



Larry Bell, Chair,  
Canada Line Rapid Transit Inc.  
Board of Directors

April 2007



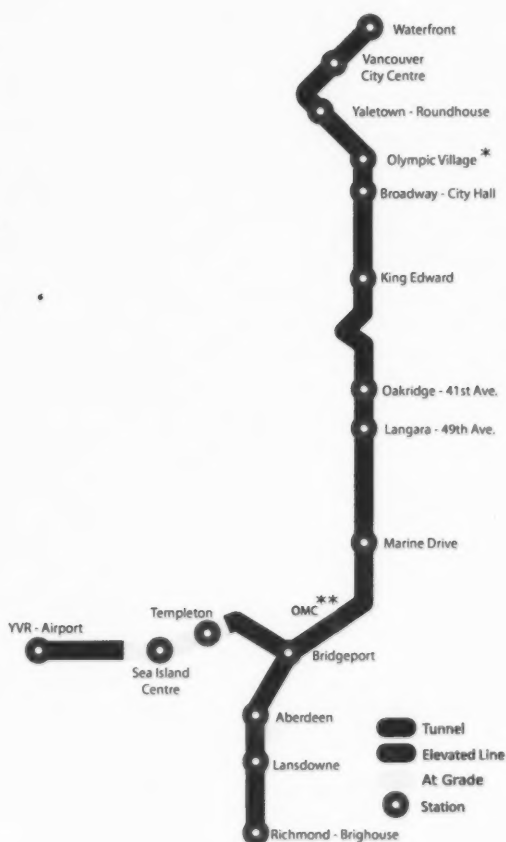
Jane Bird, CEO,  
Canada Line Rapid  
Transit Inc.





## Canada Line at a Glance

This is the future:  
19-kilometres of  
automated track, 16  
stations and a journey  
time of 25 minutes.



When it opens in November 2009, the Canada Line will be an important new rapid transit service and a significant step forward in the development of a world-class transit network for the Lower Mainland. The 19-kilometre automated rapid transit system will connect Vancouver, central Richmond and the Vancouver International Airport and will provide a sustainable transportation alternative for residents and businesses in this corridor.

With service from downtown Vancouver every three minutes in peak periods, the Canada Line trains will make the journey in about 25 minutes end-to-end. Stopping at 16 stations along the route, the Canada Line will connect to new parking structures, bus facilities, existing and new commercial and retail developments, and some of the region's largest employment and residential destinations.

### The Canada Line will consist of:

- An underground tunnel from Waterfront Station in downtown Vancouver going south under Granville Street, Davie Street, False Creek, and Cambie Street to south of 64th Avenue;
- An elevated guideway climbing from south of 64th Avenue across the Fraser River to Bridgeport Station in Richmond, continuing west to Sea Island and Vancouver International Airport and south to central Richmond along No. 3 Road;
- A Park-and-Ride facility at Bridgeport Station and bus exchanges at Bridgeport, Marine Drive and Richmond – Brighouse Stations;
- A total of 16 stations along the route: four in Richmond, three on Sea Island and nine in Vancouver.

\* Use of "Olympic Village" as a Station name is subject to an acceptable license agreement being concluded between the Vancouver Organizing Committee for the 2010 Olympic and Paralympic Winter Games and TransLink and the approval of such license by the International Olympic Committee.

\*\* Operations and Maintenance Centre.



Photo: Middle Arm Bridge construction, Fraser River, May 2, 2006

## The Year in Review

At the close of 2006...  
1.5-kilometres of tunnel  
was poured; 1.5-  
kilometres of elevated  
guideway was set.

On December 31, 2005, 985 people were working on Canada Line construction sites. Site preparation work had begun in north Richmond, the beginnings of column construction on Sea Island could be seen in the distance from the Arthur Laing Bridge, and the first traffic pattern changes had taken place along Cambie Street in the area around Queen Elizabeth Park. What a difference a year makes. On December 31, 2006, 1,070 people were working along the Line. 1.5-kilometres of tunnel was poured; 1.5-kilometres of elevated guideway was set; and most of the work of relocating utilities for the guideway was done. Less visible but just as important, were safety and environment management and the advances in station and vehicle design. Active communications and business support teams were in place.

At the close of 2006, 17 months or approximately one-third of the 52-month construction period was complete. Construction activities are now occurring on numerous fronts, and even a cursory examination of the many construction sites along the 19-kilometre corridor reveals the many Project objectives achieved so far.

### **Preparing the Way**

CLCO is responsible for acquiring all properties or property rights for Project purposes. These interests include full lots, rights-of-way over partial lots, underground rights-of-way for the tunnel and aerial easements for the elevated guideway. By the end of 2006, 182 property interests were acquired.

These acquisitions occur in a rising real estate market. To take advantage of current real estate prices, CLCO is disposing of properties that will not be needed after the construction phase. For example, land acquired in South Vancouver to manufacture the pre-cast concrete segments for the elevated guideway is being sold now rather than at the end of construction. An agreement was reached with the Great Canadian Gaming Corporation for the building of the Park-and-Ride facility near the Bridgeport Station in North Richmond in exchange for certain surplus properties. This agreement guarantees 1,200 parking spaces for transit users and enhanced facilities for Canada Line passengers including retail outlets and more security.

### **Monitoring Construction**

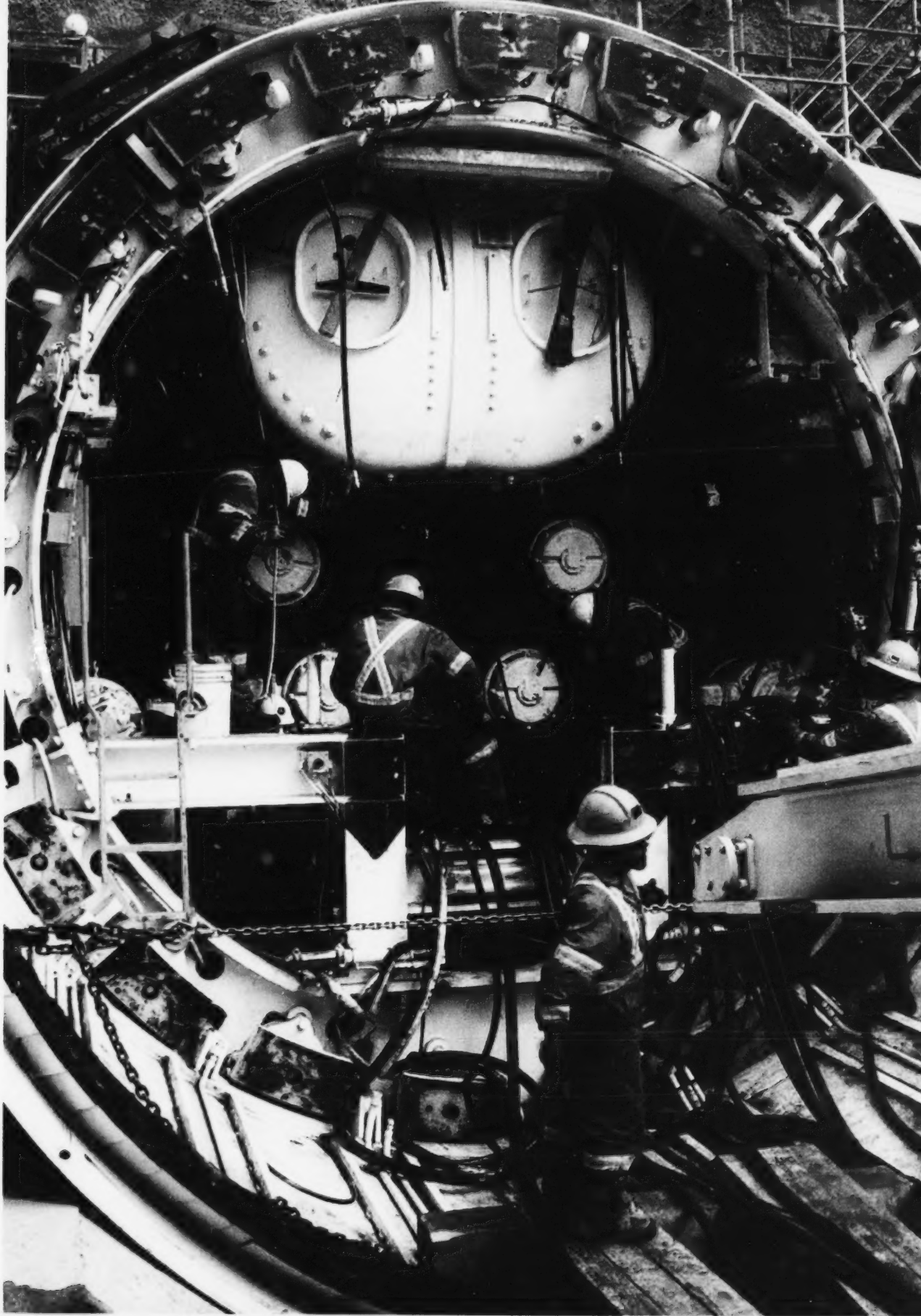
Canada Line employs engineering staff and two full-time construction monitors to track construction progress and to ensure the Canada Line is built to the specifications set out in the Concession Agreement. In addition, an Independent Engineer certifies progress on a monthly basis. The Independent Engineer's certificate forms the basis for payment to the construction contractor.

At the end of 2006, it was the Independent Engineer's view that construction was on schedule for revenue service in November 2009 and that there was sufficient funding to complete the Project.

CLCO is confident that, working with our partners in government and the community, and with the support of so many along the route and across the region, we will achieve the goals and objectives of the Canada Line Project – from road to rails – in 2009.



Photo: TransLink Chair and Richmond Mayor, Malcolm Brodie, Richmond Canada Line Information kiosk launch, October 5, 2006



## Safety and the Environment

In 2006...

- No major safety incidents
- 179 trees relocated

### Emphasizing Safety

With as many as 1,000 people working on the Canada Line at any one time in 2006, CLCO's paramount concern during construction is the safety of workers, nearby residents, businesses and the general public. CLCO works with InTransitBC to develop safety programs for all workers on the Project. Safety plans are in place and CLCO, through its safety manager, helps ensure that all work sites conform to WorkSafeBC regulations. Safety training is required for all workers on construction sites and all CLCO staff have taken safety training. There were no major safety incidents on the Project in 2006. The Project contractor is reporting an accident frequency rate (defined by the number of accidents per 200,000 person hours worked) of 2.0 to date – well below the industry average of 4.0-6.0 for similar types of work.

### Protecting the Environment

In 2005, CLCO was granted an Environmental Assessment Certificate for the construction of the Canada Line. CLCO staff carry out regular audits to ensure compliance. A strategy has been developed for addressing impacts to fish habitat in the North and

Middle Arms of the Fraser River once the construction of Canada Line bridges is complete.

Canada Line construction activity complies with all regulations regarding health and safety, hours of work and environmental protection. In order to minimize the impact on the public of certain works, such as utility relocation work in Vancouver and central Richmond, some work needs to be done at night. Permits are required for any variances to existing municipal bylaws. In 2006, 17 permits were issued, mainly dealing with night work.

The Canada Line is being built alongside one of Vancouver's heritage jewels - the Cambie Heritage Boulevard - a wide strip of mature and significant trees. CLCO is committed to minimizing the impact of construction on the Boulevard and is working with the City and stakeholders on strategies to restore and enhance the Boulevard where it is affected by construction.

CLCO conducted an inventory of all the trees on the Boulevard. As many trees as possible will be preserved. Where necessary trees are being pruned or transplanted. In 2006, 179 trees were relocated. CLCO is committed to no net loss of green space on the Boulevard.



**Yaletown**

making routes to local businesses

during  
construction  
of the  
Canada Line,  
Yaletown is  
open for  
business

Yaletown is pe

uild

## Being a Good Neighbour

Building a project the scale of the Canada Line in a dense urban area is challenging to say the least. We recognize that some disruption will occur. Impacts range from traffic pattern changes and delays to construction noise, from difficult business access to the impact on the Cambie Heritage Boulevard.

We know we are building a rapid transit system that will provide a sustainable transportation alternative for many people in the Vancouver-Airport-Richmond corridor. At the start of construction, the Project partners made a number of commitments aimed at maintaining relationships with local stakeholders and residents, distributing information, and minimizing disruptions during the construction phase of the Project.

As the Project has progressed, these general commitments have translated to a number of specific actions and programs.

### Business Support

In late 2005, CLCO established two Business Liaison and Communications Committees (BLCCs), one each in Richmond and Vancouver, to help minimize construction-related disruption to businesses along the route. These Committees are comprised of business owners and people active in the local business community as well as the Project team.

The Committees act as a forum for discussing construction schedules, as a conduit for businesses adjacent to construction to raise concerns and provide

advice on strategies to address business related issues, and as a planning vehicle for retail marketing initiatives for the construction period.

The Committees receive funding from CLCO. They set their own priorities and determine the allocation of funds. In addition to the direct funding, CLCO also provides indirect support by funding a full-time Independent Project Director who reports to the Committees, administrative support, an office, and assisting with programming, events and signage. Some of the initiatives undertaken in 2006 included:

- A "Business is Open" marketing campaign, launched in early 2006. Working with TransLink, this campaign focused on the commercial areas in the construction corridor – Granville Street, Yaletown, Cambie Street and No. 3 Road. Bus and SkyTrain advertising were key components of the campaign. The campaign has received an *Award of Excellence* from the Transportation Marketing and Communications Association of North America.
- Large scale mailings to support local businesses. Packages included flyers, coupons, menus, access and parking maps and related marketing material.
- Street teams' support for local business events including the Yaletown Summer Celebration, Halloween events, and the Christmas retail season.

To assist small and medium-sized businesses plan for the construction period, CLCO organised a retail workshop program in summer 2006. Five workshops were held



Photo: "Business is Open" TransLink bus and SkyTrain campaign, March 20, 2006

along the Line (two in downtown Vancouver, two on Cambie Street and one in Richmond). CLCO continues to retain the services of the retail consultant to assist on a one-on-one basis.

The BLCCs and CLCO developed business logo signs and wayfinding signage for station construction sites and for several commercial areas along Cambie Street and No. 3 Road in Richmond. These signs supplement existing commercial signs and remind shoppers that businesses remain accessible during construction.

Our work with businesses will continue throughout the active construction period in order to help businesses manage disruptions and prepare for the opportunities the Canada Line will bring.

## Community Relations

Canada Line construction is occurring in some of the Lower Mainland's busiest districts. With 20% of the region's population and about one-third of its jobs, the downtown Vancouver, Cambie Street, No. 3 Road corridor is a main commuting and commercial route. Making sure residents and commuters know about traffic pattern changes and construction timelines is key to Project communication goals.

The Project has taken a multifaceted approach. In 2006, CLCO and InTransitBC opened community information centres in Vancouver and Richmond, held public open houses on construction schedules and met with individuals and community groups. The Canada Line website, [www.canadaline.ca](http://www.canadaline.ca), is at the core of our

communication strategy. In 2006, more than 100,000 individuals visited the site for Project and contact information. 5,900 people subscribe for regular email updates.

Community liaison initiatives (including two, full-time liaison officers - one in each city) provided corridor residents, commuters and adjacent businesses with regular Project updates. A construction notification program regularly informed the public in advance about work along the route and provided Project contacts for people who need assistance. Our staff and ITBC's staff responded to thousands of enquiries, monitored construction-related activities, and, where possible, helped minimize the impact of disruptions.

### **Neighbourhood Improvement**

CLCO and its Board see Canada Line as more than a utility. It will be a significant contributor to local neighbourhoods, influencing local development and creating opportunities for local businesses. Transit Oriented Development (TOD) is a key strategic goal for CLCO. Significant progress has been achieved in linking residential and commercial development with Canada Line construction. CLCO has made agreements to facilitate integrated stations and associated development that will see projects around the Bridgeport and Aberdeen stations. We anticipate other agreements will be concluded in 2007.

As the primary "face" of the Canada Line, the design of the Line's stations is significant as it will determine how

the Canada Line will "live" in the urban environment and how it will be experienced by those who use it.

With this in mind, 2006 saw the selection of six architectural design teams to design Canada Line's 16 stations. In the first half of the year the teams took part in a detailed design consultation process that built upon previous consultation in spring 2005. Station design meetings addressed the form and function of future stations, while also addressing issues of safety, local context, and convenience.

More than 2,000 people took part in these meetings and a report summarizing their comments was made public in fall 2006. The consultation found that there was widespread public support for the design direction of the Canada Line stations. This direction includes designing stations with safety and security in mind, ensuring easy connections for pedestrians, cyclists, buses and providing passenger drop-off and pick-up zones. There is also widespread support for the use of glass, structural steel and wood.

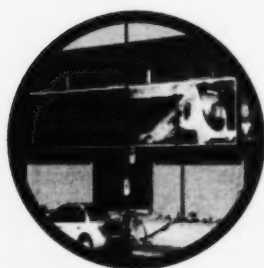
In addition to public input, station design benefited from the advice of Project dedicated staff teams in Richmond and Vancouver and design advisory bodies in both cities. The station designs were also presented to the City of Richmond Development Permit Panel and the City of Vancouver Development Permit Board. Specific interest groups with expertise in accessibility, safety and security continue to be consulted. 2007 will see the station designs finalized and a report for each station documenting the advice and design responses.

# 2006: A Year of Significant Progress

## Key Events



June - According to tunnelling tradition the Tunnel Boring Machine (TBM) is always named, in our case "Sweet Leilani". The TBM begins its two kilometre journey under False Creek toward Waterfront Station



March - Canada Line Community Information Centre opens at Cambie and 16th Avenue

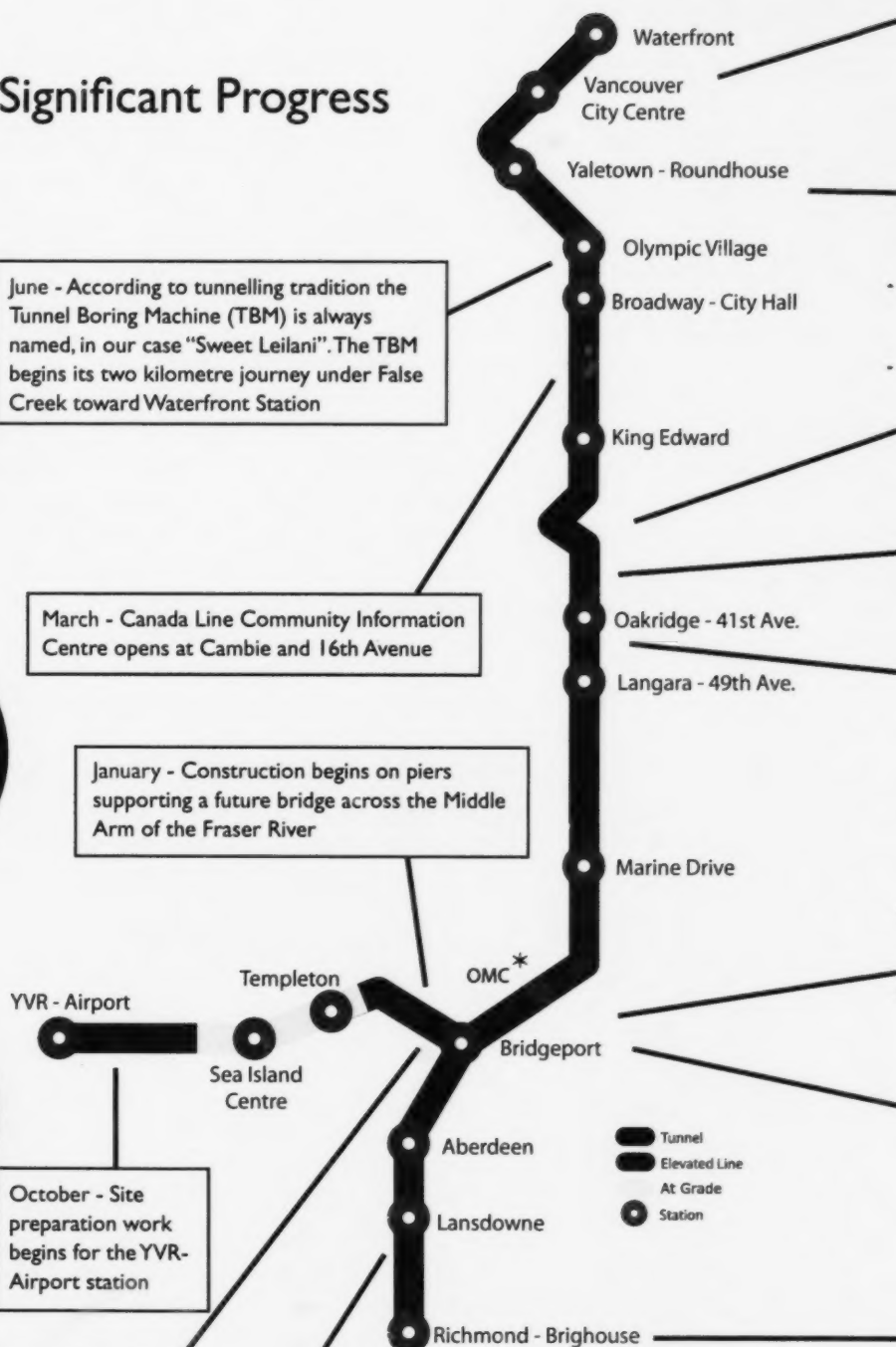
January - Construction begins on piers supporting a future bridge across the Middle Arm of the Fraser River



October - Site preparation work begins for the YVR-Airport station

December - Elevated guideway construction activity over the Arthur Laing Bridge completed

February - The bus lane along No. 3 Road in Richmond is closed to allow for work on the elevated guideway portion of the alignment, buses re-routed





April - Bus service along Granville Street is re-routed to Seymour and Howe streets to allow for construction activities

April - Excavation of the Yaletown Station site begins

May - Rock blasting begins in the Little Mountain area along Cambie Street

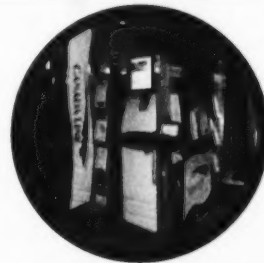
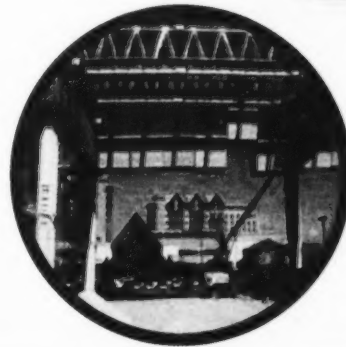
July - Cut and cover construction begins along Cambie Street between 39th Avenue and 54th Avenue

March - Trees in the Cambie Heritage Boulevard are transplanted

August - The beams of the elevated guideway begin being assembled in the Bridgeport area of Richmond

December - Great Canadian Gaming Corporation, TransLink, and Canada Line reach an agreement on terms for the construction of the Bridgeport Station Parkade which will be the main Park-and-Ride facility for the Canada Line

October - CLCO and the City of Richmond open the Canada Line Information kiosk at Richmond City Hall





## Governance and Accountability

CLCO is committed to best practices in good governance and the highest standards of due diligence.

### **Governance**

CLCO is an independently governed subsidiary of the Greater Vancouver Transportation Authority (TransLink). It was created by the agencies that fund the Project (the Government of Canada and the Government of British Columbia, TransLink, Vancouver Airport Authority, and the City of Vancouver) specifically to oversee the procurement, design, construction and implementation of the Canada Line Project.

In carrying out its mandate, CLCO is committed to best practices and good governance and the highest standards of due diligence in order to achieve the most appropriate transit system and the best value for funding agencies and residents in the region.

In that light, a final Report on the procurement phase of the Project was released in spring 2006. The Report concluded that private sector involvement in the building and operation of the Canada Line protects the public from most construction cost overruns and will provide value for the \$1.3 billion in public funds that are being invested in Canada Line. CLCO invited British Columbia's Auditor General to review the Report. His office stated that the Report fairly describes the assumptions, context, decisions, procurement process and results to date.



Photo: Richmond Information kiosk, Richmond City Hall, October 5, 2006

### **Strategic Planning**

CLCO's Strategic Plan forms the framework for fulfilling our mandate. It was approved by the CLCO Board of Directors in February 2006. The core goal of the Plan is to deliver the defined Project safely, on schedule, within the approved budget and to meet our environmental and community commitments. This goal is a constant reference point for CLCO activities.

Additional goals supplement our core goal:

- Increasing the value of the Project - Canada Line should be more than a utility;
- Contributing to the "Vancouver" experience for residents and visitors;
- Establishing Canada Line as a successful model for the governance and delivery of future infrastructure projects.

In 2006, CLCO made significant progress against these objectives. For example, by creating strategies to maximize opportunities for TOD: where stations are integrated into surrounding development, means a Canada Line that is more than a utility. It becomes part of the urban fabric of our cities. In 2006 we reached several agreements to enhance development and we expect more in 2007.

Other objectives, such as being a good neighbour, are part of CLCO's Strategic Plan. We have spent considerable resources on this objective particularly during this intense construction period. Other objectives, such as leaving a neighbourhood better than when we found it, will be an increasingly important focus for CLCO as the work is completed.

### **Code of Conduct**

In addition to the Strategic Plan, the management team and Board of Directors developed a Code of Conduct for staff. This Code is based on best practices in the human resource field. It outlines the conditions that establish a respectful workplace and the procedures to ensure those conditions are met by all CLCO staff. The Code is posted on the Canada Line website.

### **Commitment to Accountability / Hearing from the Public**

As part of its ongoing commitment to accountability, the Board adopted a Public Information and Access

Plan in early 2004. This policy is available on the Canada Line website.

CLCO is committed to reporting to the public on Canada Line's status and to offering opportunities for individuals and organizations to provide their comments and feedback on our activities and decisions.

Project information is available on the Canada Line website at [www.canadaline.ca](http://www.canadaline.ca), in the Canada Line Project Office (1650 - 409 Granville Street, Vancouver), the Vancouver Community Information Centre at Cambie Street and 16th Avenue, and at the Canada Line Information kiosk at Richmond City Hall. In addition, CLCO issues regular information bulletins, fact sheets and e-postcards. To address specific issues, CLCO sends letters and notices to businesses and residents in close proximity to the construction corridor.

Annual Reports, quarterly reports, financial statements and minutes of the meetings of the Board of Directors are available on the Canada Line website.

The public is invited to provide input and feedback on the Canada Line Project through public delegations at meetings of the Board of Directors. These meetings are held quarterly.



## Board of Directors

The Board of Directors consists of nine Directors: five nominated by TransLink (three of whom are independent of TransLink, by that we mean they are not employees or TransLink Board members); two nominated by the Airport Authority (one of whom is independent of the Airport Authority); and two nominated by the Province (both of whom are independent of the Province). In addition, one senior representative from the City of Richmond and one from the City of Vancouver attend Board meetings in a non-voting capacity. There is currently one vacancy on the Board of Directors.

L.I. (Larry) Bell  
Chair, CLCO and Chair, BC Hydro  
Independent

Larry Berg  
President and CEO,  
Vancouver Airport Authority (VAA)  
Representing VAA

Fred J. Cummings, P.Eng.<sup>1</sup>  
Vice President, Major Construction Projects, TransLink  
Representing TransLink

Pat Jacobsen  
CEO, TransLink  
Representing TransLink

Eva Matsuzaki  
Matsuzaki Architects Inc.  
Independent

Daniel L. Nocente<sup>2</sup>  
Vice-Chair, National Bank Financial  
Independent

Michael O'Connor, P.Eng.<sup>3</sup>  
Vice President Operations, Terasen Utilities Services  
Independent

Norris R.G. Paget, P.Eng.  
President, Paget Engineering Consultants Ltd.  
Independent

Peter Powell<sup>4</sup>  
Former Vice Chairman, Senior Vice President  
and Managing Director, BMO Nesbitt Burns  
Independent

Sheri Plewes, P.Eng.<sup>5</sup>  
Vice President, Capital Management and Engineering,  
TransLink  
Representing TransLink

David G. Unruh  
Corporate Director  
Independent

### Municipal Representatives

George C. Duncan  
Chief Administrative Officer, City of Richmond  
Non-voting representative

Judy Rogers  
City Manager, City of Vancouver  
Non-voting representative

### Officers of Canada Line Rapid Transit Inc., April 2006:

L.I. (Larry) Bell – Chair  
Pat Jacobsen – President  
Jane Bird – Chief Executive Officer  
Anthony Guglielmin – Senior Vice President, Finance,  
Chief Financial Officer and Corporate Secretary  
Jeff Hewitt – Senior Vice President, Engineering  
Scott Hanna – Vice President, Environment and  
Regulatory Affairs

### The following individual also served as an Officer of the corporation for part of 2006:

Naina Sloan – Vice President, Corporate Affairs and  
Corporate Secretary

<sup>1</sup> Appointed, effective October 2006

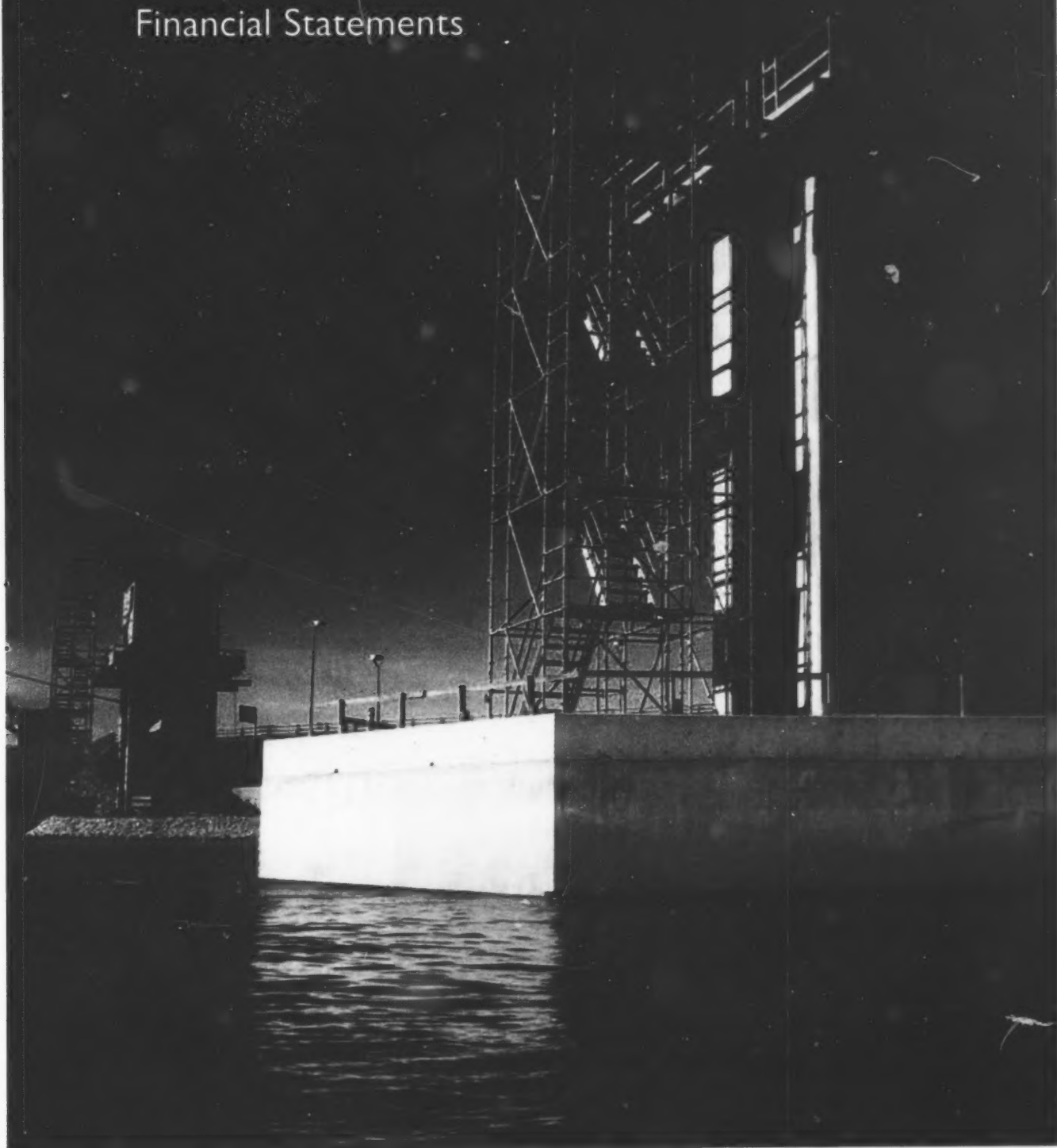
<sup>2</sup> Appointed, effective June 2006

<sup>3</sup> Resigned, effective May 2006

<sup>4</sup> Resigned, effective February 2006

<sup>5</sup> Resigned, effective October 2006

# Financial Statements



# Auditors' Report to the Shareholder

We have audited the statement of financial position of Canada Line Rapid Transit Inc. (the "Company") (formerly RAV Project Management Ltd.) as at December 31, 2006 and the statement of cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2006 and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

**KPMG LLP**

Chartered Accountants  
Vancouver, Canada  
January 26, 2007

# Canada Line Rapid Transit Inc.

(Formerly RAV Project Management Ltd.)

## Statement of Financial Position

December 31, 2006, with comparative figures for 2005

	2006	2005 (restated - note 3)
<b>Assets</b>		
Cash and cash equivalents	\$ 22,063,983	\$ 23,248,720
Accounts receivable and other assets	3,245,140	5,042,560
Capital assets (note 4)	174,591	208,069
Project costs (note 5)	693,809,003	360,048,203
	<b>\$ 719,292,717</b>	<b>\$ 388,547,552</b>
<b>Liabilities and Net Assets</b>		
Accounts payable and accrued liabilities	\$ 79,503,431	\$ 11,856,010
Due to related parties (note 6)	65,661	234,028
Deferred Concessionaire credits (note 7)	72,743,497	61,090,306
Deferred capital contributions (note 8)	429,986,724	231,091,115
Net assets (note 9):		
Unrestricted	1	1
Invested in project costs	136,993,403	84,276,092
	<b>136,993,404</b>	<b>84,276,093</b>
	<b>\$ 719,292,717</b>	<b>\$ 388,547,552</b>

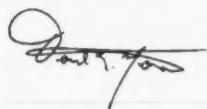
Financing arrangements (note 10)

Concession agreement (note 11)

Commitments and contingencies (note 12)

See accompanying notes to financial statements.

Approved on behalf of the Board:



David G. Unruh  
Corporate Director



L.I. (Larry) Bell  
Chair

# Canada Line Rapid Transit Inc.

(Formerly RAV Project Management Ltd.)

## Statement of Cash Flows

Year ended December 31, 2006, with comparative figures for 2005

	2006	2005
		(restated - note 3)
Cash provided by (used in):		
Investments:		
Project costs	\$ (434,762,754)	\$ (361,195,817)
Capital asset additions	( 96,796)	(210,543)
Less: Assets acquired on behalf of and funded by the Vancouver International Airport Authority	101,132,228	19,982,204
	(333,727,322)	(341,424,156)
Changes in working capital:		
Accounts receivable and other assets	1,797,420	(5,062,935)
Accounts payable and accrued liabilities	67,647,421	8,360,592
Due from/to related parties	(168,367)	514,404
	(264,450,848)	(337,612,095)
Financing:		
Deferred Concessionaire credits	11,653,191	61,090,306
Capital contributions	198,895,609	214,041,115
Contributions invested in project costs	52,717,311	84,276,092
	263,266,111	359,407,513
Increase (decrease) in cash and cash equivalents	(1,184,737)	21,795,418
Cash and cash equivalents, beginning of year	23,248,720	1,453,302
Cash and cash equivalents, end of year	\$ 22,063,983	\$ 23,248,720

See accompanying notes to financial statements



# Notes to Financial Statements

## 1. Nature of business:

Canada Line Rapid Transit Inc. ("CLCO" or the "Company"), formerly RAV Project Management Ltd., is incorporated under the Company Act of British Columbia and is wholly owned by the Greater Vancouver Transportation Authority ("GVTA").

CLCO is incorporated to oversee the study, design, financing, construction, operation and maintenance of a rail-based rapid transit line (the 'Canada Line', formerly the 'RAV Line', or "Project") running between central Richmond and the Vancouver International Airport and downtown Vancouver. CLCO is funded by the Government of Canada, the Province of British Columbia (the "Province"), GVTA, the Vancouver International Airport Authority (the "Airport Authority" or "VIAA"), and the City of Vancouver and has entered into funding agreements with each of these parties (see note 10 - Financing arrangements).

InTransitBC Limited Partnership (the "Concessionaire") will undertake the design, partial financing and construction of the Canada Line and subsequently its operation and maintenance (see note 11 - Concession agreement).

## 2. Significant accounting policies:

### (a) Basis of presentation:

These financial statements are prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations. Costs associated with the design of the Canada Line are capitalized on the accrual basis to either capital assets or project costs. No statement of operations is provided as CLCO's activities are focused on the Canada Line's Procurement and Construction Phases and there are no operations.

CLCO is filing its tax returns on a not-for-profit and tax exempt basis.

The statement of financial position has been prepared on a non-classified basis as segregation of assets and liabilities between current and non-current would not provide meaningful information.

### (b) Cash and cash equivalents:

Cash and cash equivalents include deposits in banks, certificates of deposit and short-term investments with original maturities of three months or less.

### (c) Capital assets:

Capital assets are stated at cost and are amortized on a straight-line basis over their useful economic lives as follows:

Asset	Rate
Leasehold improvements	3 years
Furniture and equipment	5 years
Computer hardware	3 years
Computer software	3 years

Amortization is recorded as part of project costs.

## **2. Significant accounting policies (continued):**

### **(d) Project costs:**

Project costs consist of costs during the Procurement and Construction Phases of the Canada Line. Procurement and Construction Phase costs are deferred until the Canada Line is completed and put into service, at which time the costs will be amortized.

Should the Project be terminated, the project costs will be written off in that period.

### **(e) Deferred Concessionaire credits:**

Concessionaire credits are deferred until the Canada Line is put in service, at which time the credits will be amortized over the remaining term of the Concession Agreement.

### **(f) Capital contributions:**

The Company follows the deferral method of accounting for contributions. Accordingly, capital contributions for Procurement and Construction Phases of the Canada Line from the Government of Canada, the Province, GVTA, and the City of Vancouver will be recognized as follows:

- Contributions towards project costs that will be amortized will be recognized as revenue on the same basis as the amortization expense related to the project costs.
- Contributions for the purchase of land are recognized as direct increase in net assets.

### **(g) Recoveries:**

The Company nets the contributions from the Airport Authority against the related project costs. Contributions received in advance of specific Airport related project costs are recorded as deferred recoveries.

### **(h) Derivative financial instruments:**

The Company may enter into interest rate swap agreements to reduce its exposure to market risks from changing interest rates.

The Company recognizes these derivative trading instruments on the balance sheet at their fair value. Changes in the fair value of the interest rate swaps will be reported as part of project costs.

### **(i) Use of estimates:**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements. Significant areas requiring the use of management estimates relate to the provision for accrued liabilities and contingencies. Actual results could differ from these estimates.

## **3. Changes in accounting:**

### **(a) Concessionaire credits:**

In the prior year, project costs were presented net of funding by the Concessionaire. During 2006, the Company determined that the gross project costs and the funding provided by the Concessionaire towards the construction of the Canada Line should be recorded on the financial statements of the Company. As such, the Company has restated its prior year financial statements to present the assets funded and funding provided by the Concessionaire on a gross basis. The effect of the restatement has resulted in project costs and deferred Concessionaire credits increasing by \$61,090,306 in the balance sheet as at December 31, 2005.

### 3. Changes in accounting (continued):

#### (b) GVTA land acquisition costs:

In the prior year the cost of land acquired under the name of GVTA for the Company was netted against the contribution of GVTA for this purpose. To better reflect the risks and rewards of ownership which reside with the Company, the presentation has been revised in 2006 to show land acquisitions on a gross basis. As such, prior year balances have been restated to present the cost of land acquired under the name of GVTA on a gross basis by increasing total project costs and net assets by \$67,970,012.

### 4. Capital assets:

		2006		2005	
	Cost	Accumulated amortization	Net book value	Net book value	
Leasehold improvements	\$ 54,742	\$ 18,247	\$ 36,495	\$ -	
Furniture and equipment	146,340	86,588	59,752	82,718	
Computer hardware	199,881	174,795	25,086	49,099	
Computer software	406,561	353,303	53,258	76,252	
	\$ 807,524	\$ 632,933	\$ 174,591	\$ 208,069	

### 5. Project costs:

		2006	2005
			(restated - note 3)
Construction costs (note 3(a))	\$	628,758,854	\$ 256,497,690
Property acquisitions (note 3(b))		136,993,403	84,276,092
Management costs		51,196,178	41,281,625
		816,948,435	382,055,407
Less:			
Assets acquired on behalf of and funded by the Airport Authority (notes 2(g) and 8)		(123,139,432)	(22,007,204)
	\$	693,809,003	\$ 360,048,203

### 6. Related party transactions:

The following table summarizes the Company's related party transactions during the period:

		2006	2005
Secondment of staff, net of cost sharing recoveries for consultant costs - GVTA	\$	114,863	\$ 104,861
Payroll processing charges - West Coast Express (WCE)		12,000	14,000
Insurance coverage - Transportation Property and Casualty Company Inc. (TPCC)		-	3,000,000

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

## 6. Related party transactions (continued):

The following amounts represent balances due to/from related parties as at December 31.

	2006	2005
Due to related parties:		
GVTA	\$ 19,954	\$ 19,811
WCE	45,707	214,217
	<b>\$ 65,661</b>	<b>\$ 234,028</b>

The amounts due to GVTA and WCE are due on demand and are unsecured and bear no interest, and have arisen from the transactions referred to above. Included in the amount due to WCE is \$42,707 (2005 - \$212,077) relating to payroll costs which were paid by WCE on behalf of the Company.

## 7. Deferred Concessionaire credits:

Deferred Concessionaire credits represent the funding provided by the Concessionaire towards the design and construction Phases of the Canada Line. It is estimated that the funding to be provided by the Concessionaire will amount to \$720 million. The ultimate funding obligation of the Concessionaire will not be known until completion of the Project. Upon completion and service commencement of the Project, the total deferred Concessionaire credits will be amortized to income over the remaining term of the concession agreement.

## 8. Deferred capital contributions:

Deferred capital contributions comprise funding received from the Government of Canada, the Province, GVTA and the City of Vancouver for the Procurement and Construction Phases of the Canada Line, as follows:

	2006	2005
		(restated - note 3)
Government of Canada	\$ 244,491,345	\$ 118,936,598
The Province	136,325,000	119,125,000
GVTA (note 3(b))	178,186,404	76,186,404
City of Vancouver	7,977,378	1,119,205
	<b>566,980,127</b>	<b>315,367,207</b>
Less:		
Funding used to acquire land (note 9(b))	(136,993,403)	(84,276,092)
	<b>\$ 429,986,724</b>	<b>\$ 231,091,115</b>

Assets acquired on behalf of and funded by the Airport Authority are netted against the related project costs when incurred (notes 2(f) and 5).

## 9. Net assets:

### (a) Unrestricted assets:

The Company has authorized two common shares without par value.

### (b) Invested in project costs:

Represents the funding received to acquire land.

## 10. Financing arrangements:

CLCO has entered into various agreements with the Government of Canada, the Province, GVTA, the Airport Authority and the City of Vancouver. These agreements provide for the funding of costs related to Procurement and Construction Phases of the Canada Line, as follows:

Funding Agency commitments (nominal dollars except as otherwise noted):

Agency	Total amount of funding
Government of Canada	\$ 450,000,000
The Province (note (a))	435,025,000
GVTA (note (b))	334,625,000
Airport Authority (note (c))	300,000,000
City of Vancouver	28,970,059
	<b>\$ 1,548,620,059</b>

(a) The Province's funding includes \$165,700,000 towards future operating costs. This funding will vary as a function of the Concessionaire's operating performance. The total funding commitment also includes a \$15,000,000 commitment to fund additional costs.

(b) The GVTA funding includes \$8,600,000 towards a pedestrian/bike bridge over the Fraser River. The GVTA has provided an unsecured credit facility to CLCO to a maximum amount of \$30,000,000, which is not included in the above amount.

(c) The Airport Authority's funding includes \$50,000,000 for certain common costs, and up to a maximum of \$250,000,000 related to the construction of the portion of the Canada Line associated with the Airport Authority section of the Canada Line.

The Airport Authority's funding is based on the value of the Canadian dollar at April 1, 2003 subject to annual compounding for cumulative inflation.

## 11. Concession agreement:

On July 29, 2005, the original Concession Agreement between CLCO, GVTA and the Concessionaire was entered into concurrently with the completion of the Concessionaire's financing and sub-contracting arrangements.

Under the Concession Agreement, the Concessionaire has agreed to design, construct and partially finance the Canada Line and then to operate it over a total term (including construction and operating phases) of 35 years. During the Construction Phase, CLCO will make payments to the Concessionaire upon the achievement of certain milestones, which as at December 31, 2006 totaled \$556,015,357 (2005 - \$195,407,384). The Concessionaire assumes price and schedule risk, subject to certain compensation events, the occurrence of which will require CLCO to make compensatory payments to the Concessionaire. During the operating phase, CLCO, through funding from the Province and GVTA, will make monthly payments to the Concessionaire based on the Concessionaire's performance.



## **12. Commitments and contingencies:**

### **(a) Operating lease commitments:**

The Company is committed to payments under operating leases as follows:

2007	\$	378,740
2008		312,604
2009		286,554

### **(b) Cost sharing:**

In November 2004, CLCO entered into cost-sharing agreements with the City of Vancouver and the City of Richmond. The Company agreed to contribute \$1,350,000 to the City of Vancouver and \$1,170,000 to the City of Richmond for reimbursement of certain costs of municipal staff during the construction of the Canada Line from 2005 to 2009. As at December 31, 2006, amounts of \$710,000 (2005 - \$290,000) and \$650,000 (2005 - \$300,000) had been paid to the City of Vancouver and City of Richmond, respectively.

CLCO has entered into access agreements with each of the City of Vancouver and the City of Richmond. The agreements provide access to city streets and outline the process by which the Cities provide advice on design.

In November 2004, CLCO entered into a Memorandum of Understanding with the City of Richmond which requires CLCO to provide funding of \$2,000,000 during the construction of the Canada Line to improve urban design. At December 31, 2006, no monies had been paid under this Memorandum of Understanding.

### **(c) Litigation:**

As at December 31, 2006, there is a lawsuit pending against the Company arising in the ordinary course of business. Management is of the opinion that any claims against the Company, which are not recoverable from the Company's insurance, are not likely to be material and therefore no provision has been made in the financial statements for any such liability.

## **13. Financial instruments:**

The fair values of CLCO's cash and cash equivalents, accounts receivable, GST receivable, due to/from related parties and accounts payable and accrued liabilities approximate their carrying amounts.

## **14. Comparative figures:**

Certain of the comparative figures have been restated to conform with the current year's financial statement presentation.

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